



The Real Estate TRENDS

A concise monthly digest of real estate and construction fundamentals and trends.....A part of the complete service known as the Real Estate Analyst Reports.

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REAL ESTATE ACTIVITY

For the fourth straight month, real estate activity has shown an increase. During the month of September, our national real estate activity index rose another point to 18.1 points above the long-range computed normal. It is now back to the level it enjoyed near the early part of 1949.

There were a number of cities where the level of real estate activity exceeded that of January 1949. Of these cities, Detroit and Oklahoma City showed the greatest gain, with a rise of 25% above their first-of-the-year level. Dallas was next with 20% above, and Minneapolis was third highest with a level 14% above that of January; Seattle and Denver were 5% above their January level.

Moving in the other direction were San Francisco, with real estate activity 20% lower than its January level; Boston, 19% below; Columbus, Ohio, 18% below; Flint and Atlanta, 13% below; and Buffalo, 12% below. Houston, Hartford, Indianapolis and Kansas City, Missouri, have all climbed to the approximate level they occupied at the beginning of the year.

The present recovery of the national index bids well to equal the long period of recovery in 1947, when activity rose for an uninterrupted period of 6 months.

REAL ESTATE MORTGAGE ACTIVITY

Our real estate mortgage activity index has been following the course of real estate activity quite closely. In August, this index rose to 162.9. This was a new high for the year and marked the fourth consecutive month a rise had taken place. From its postwar low of 145.5 reached in March 1949, our mortgage activity index has regained 17.4 points. No doubt the reading for September will reflect the continued rise in real estate activity by showing another increase during that month.

On page 447 is an interesting chart on Veterans Administration loans. This chart shows the dollar amount of applications for loans and loans closed by the VA through mid-1949.

It is interesting to notice the close correlation between this branch of mortgage activity and our national mortgage index. There also seems to be a greater spread between loans applied for and loans closed than existed during the last few months of 1948.

INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)
October 1949



SIX-ROOM BRICK HOUSE

(FRAME INTERIOR)*

Content: 23,100 cubic feet
1,520 square feet

Cost 1939: \$ 6,400

(27.7¢ per cubic foot; \$4.21 per square foot)

Cost today: \$14,615

(63.3¢ per cubic foot; \$9.62 per square foot)

INCREASE OVER 1939 = 128.4%



FIVE-ROOM BRICK VENEER HOUSE*

Content: 24,910 cubic feet

1,165 square feet

Cost 1939: \$ 5,440

(21.8¢ per cubic foot; \$ 4.67 per square foot)

Cost today: \$12,790

(51.3¢ per cubic foot; \$10.98 per square foot)

INCREASE OVER 1939 = 135.1%



SIX-ROOM FRAME HOUSE*

Content: 25,376 cubic feet

1,650 square feet

Cost 1939: \$ 5,894

(23.2¢ per cubic foot; \$3.57 per square foot)

Cost today: \$14,429

(56.9¢ per cubic foot; \$8.74 per square foot)

INCREASE OVER 1939 = 144.8%



6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

Content: 12,119 cubic feet

992 square feet

Cost 1939: \$3,117

(25.6¢ per cubic foot; \$3.14 per square foot)

Cost today: \$7,523

(62.1¢ per cubic foot; \$7.58 per square foot)

INCREASE OVER 1939 = 141.4%

*Costs include full basement.

RESIDENTIAL CON- STRUCTION ACTIVITY

According to preliminary government estimates, the 1949 residential construction volume of non-farm units has reached 743,000 through September. Although this is 1,600 units ahead of the first nine months of 1948, we are inclined to believe that this figure will be revised downward.

Compiling construction statistics is such a huge task that it is generally several months before final figures are available. Thus, there is a good possibility that the government estimates for July, August and September will be revised downward. If the estimates of construction volume in these last three months are 5% too high, as was the case of the June estimate, the totals will be revised downward from 743,000 to 728,000, or about 2% below the total for the first nine months of 1948.

Regardless of these revisions, residential construction is having another booming year, and while 1950 will probably not reach so high a total as 1948 and 1949, it, too, will be a good year for the building industry.

Since the end of the war the construction industry has added nearly 3,300,000 new nonfarm residential units to our housing supply. If we figure about 3.3 persons per family, we see that these new units will house nearly 11 million people. When it is remembered that during most of the time since the war the industry was plagued with shortages of materials and labor, this achievement becomes all the more remarkable.

RESIDENTIAL CON- STRUCTION COSTS

During the month of October residential construction costs inched upward once more. The increase was caused by rises in the prices of most rough lumber items. The cost of building our standard six-room frame house increased from \$14,354 to \$14,429, a rise of \$75. Increases since 1939 in the cost of building our four houses are shown on page 442.

GENERAL BUSINESS

We believe that the remainder of 1949 and at least the early part of 1950 will see a continuation of good business in most lines, although strikes could cause another downturn. In our October issue of the Real Estate Analyst we voiced the opinion that the strike situation would clear up before it caused serious harm to the economy. Our reasons for this opinion were based on the assumption that nobody really wanted a strike - and that few unions or companies could really afford one. And certainly no one in the Administration wants a situation to develop that would force the use of the much-maligned Taft-Hartley law.

If the Democrats want to make a campaign issue of the Taft-Hartley Act, their position will be weakened if the President is backed into a corner by a series of strikes and forced to invoke this law he despises so much. On the other hand, if the strikes continue and the Taft-Hartley Act is not used, the Administration will be blamed for allowing the resulting business recession to develop.

Since the Administration and most labor leaders are good friends and work well together, we believe that just so soon as some way can be found to save face for labor, these embarrassing strikes will be called off.

BUILDING COSTS IN ST. LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter M; corresponding labor items, in red, by the letter L. No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.

(2) Tile Work: 4-1/4 x 4-1/4 wall tile, ceramic floor tile, cap and base.

Group B

(3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.

(4) Finished Lumber: Sub-flooring, sheathing, finished floors, asphalt shingle roofing, roofing felt, shutters, etc.

(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

(6) Heating: Heating plant, heating distribution, radiation.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures, water heater and tank to be furnished by others.

Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware, etc.

(11) Painting: White lead, linseed oil, turpentine, varnish, shellac, filler.

(12) Miscellaneous: Lath, corner bead, insulation.

Total Material and Labor Costs

Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

STANDARD SIX ROOM FRAME HOUSE

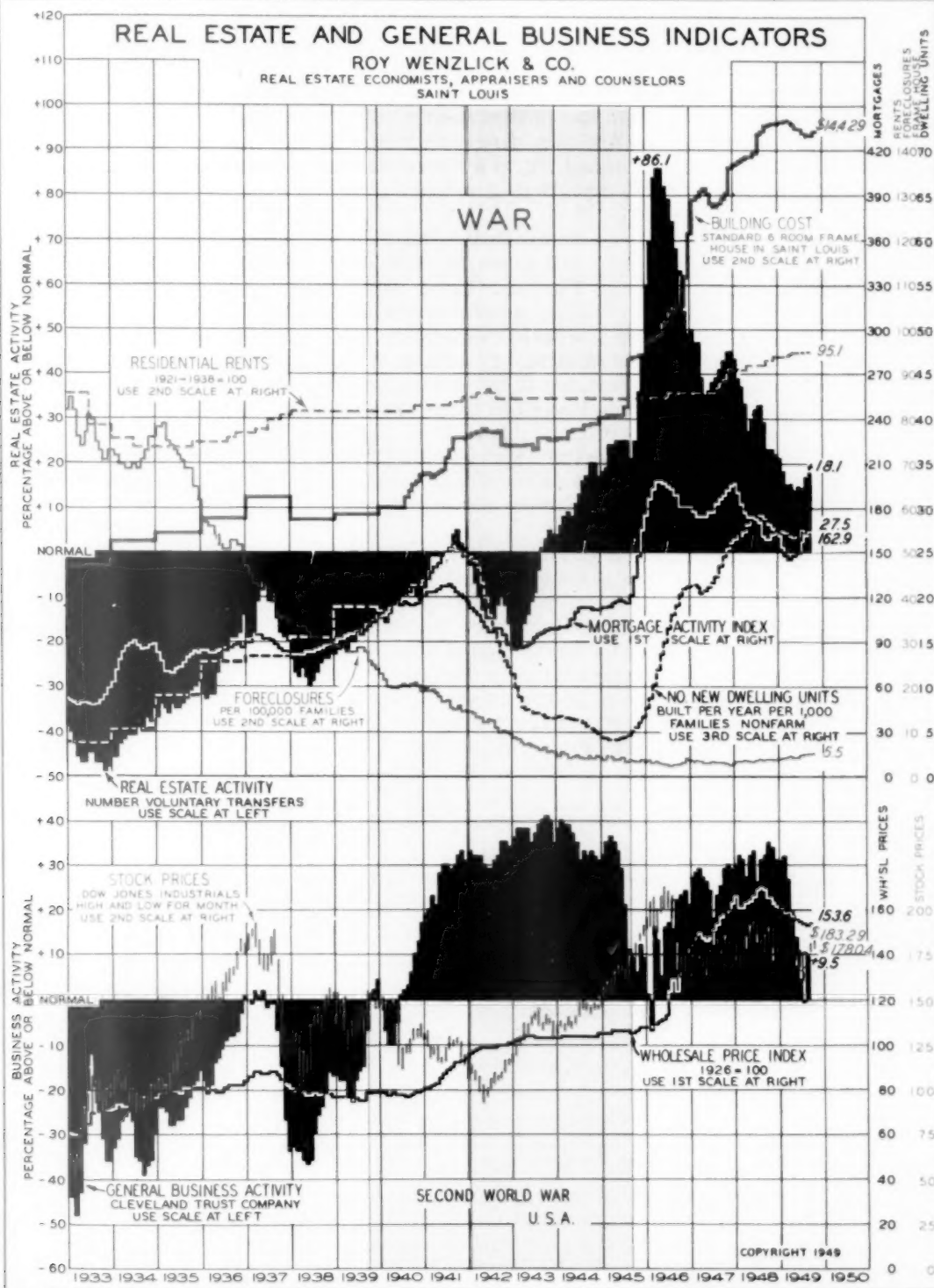
Year	GROUP A			GROUP B			GROUP C			GROUP D			GROUP E			TOTAL	Year															
	(1)		(2)	(3)		(4)	(5)		(6)	(7)		(8)	(9)	(10)	(11)			(12)		Total	(13)	(14)	(15)	(16)								
	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M			L	M						L							
1914	\$362	\$388	\$24	\$18	\$212	\$101	\$415	\$134	\$349	\$121	\$147	\$136	\$248	\$110	\$59	\$12	\$32	\$49	\$59	\$16	\$64	\$50	\$5	\$18	\$1973	\$1140	\$248	\$337	\$132	\$717	\$388	1914
1920	742	463	28	17	607	163	1189	243	1030	220	305	164	372	150	83	21	46	66	143	36	116	132	32	4713	1993	366	677	227	1270	7678	1920	
1932	438	342	139	51	268	106	532	145	269	131	210	112	266	91	50	12	28	40	60	28	70	199	39	2507	1141	295	395	142	832	4480	1932	
1939	513	525	103	77	360	156	680	211	513	190	239	160	277	133	49	19	27	57	64	28	109	192	56	3026	1696	344	505	323	1172	5894	1939	
O '48	756	1555	258	164	1045	437	1722	601	1142	530	568	442	547	374	130	40	75	139	139	197	267	361	164	6940	4718	825	1328	812	2865	14623	O '48	
S '49	763	1570	245	172	878	437	1562	610	1484	264	571	442	491	373	130	40	79	139	149	205	287	370	176	6927	4514	820	1305	788	2913	14354	S '49	
O '49	763	1570	245	172	922	437	1586	610	1484	264	571	442	491	375	130	40	79	139	149	205	287	370	176	6995	4514	820	1310	790	2920	14428	O '49	

STANDARD FIVE ROOM BRICK VENEER RESIDENCE

Year	GROUP A			GROUP B			GROUP C			GROUP D			GROUP E			TOTAL	Year														
	M	L	M	M	L	M	M	L	M	M	L	M	M	L	Total			(13)	(14)	(15)	(16)										
1914	\$437	\$777	\$15	\$5	\$265	\$96	\$225	\$81	\$272	\$87	\$115	\$18	\$228	\$67	\$83	\$24	\$37	\$68	\$24	\$40	\$29	\$37	\$770	\$1088	\$188	\$305	\$122	\$615	\$3473	1914	
1920	909	736	18	6	622	173	646	147	801	158	243	32	338	119	83	25	46	52	108	56	91	82	50	3955	1593	283	583	202	1068	6616	1920
1932	547	570	112	65	297	103	386	88	221	95	146	19	288	74	50	15	28	32	67	42	55	152	39	2336	1157	243	374	138	755	4248	1932
1939	608	433	83	57	370	155	359	128	402	137	207	46	291	105	49	22	27	45	68	44	65	144	57	2652	1712	301	467	310	1078	5442	1939
O '48	1088	2193	206	206	948	436	1106	355	1025	345	376	112	466	299	88	49	68	109	134	129	209	272	183	5906	4486	626	1175	739	2540	13932	O '48
S '49	1113	2225	195	217	802	424	988	354	1179	242	365	112	423	304	88	49	73	109	142	136	225	280	176	5784	4437	617	1156	729	2502	12723	S '49
O '49	1113	2225	195	217	817	424	1017	354	1184	242	365	112	423	304	88	49	73	109	142	136	225	280	176	5843	4437	617	1162	731	2510	12790	O '49

REAL ESTATE AND GENERAL BUSINESS INDICATORS

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SAINT LOUIS



Although the 81st Congress failed to enact most of the Fair Deal legislation, enough was put on the books to place our country one more long step toward the left. It seems a safe bet that the January session of Congress will be called upon to consider more public housing, increased Social Security benefits and coverage, Federal aid to education and government medical assistance. It also seems certain that in view of the Russian progress in the field of nuclear fission, our defense budget will be increased. It is a sorrowful task to predict higher taxes, but it will probably be that, or a huge government deficit.

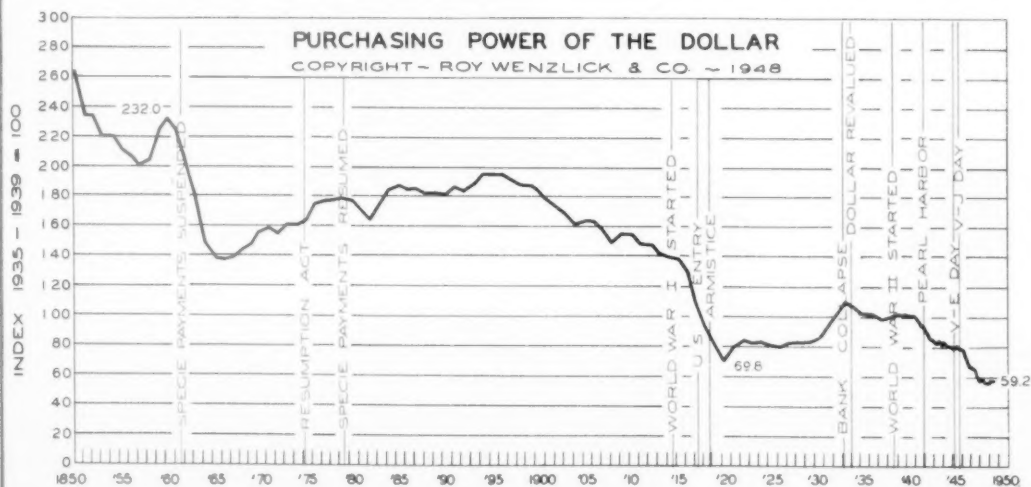
PURCHASING POWER OF THE DOLLAR

Naturally the deficit (we already have one, of course) will cause the value of our dollar to sag lower still. The chart below shows that the value of the dollar, after a brief period of leveling off, now appears to be starting down once more. Whether or not the deflationary (on our economy) European devaluation and the inflationary veterans' payments will counterbalance one another is impossible to say, but it is certain that a large and continued Federal deficit will incline our economy toward inflation once again.

It is well known that the factor which has contributed the most to our inflated economy (and the decline in the value of our dollar) is the rapid increase in the amount of currency and credit during the war years.

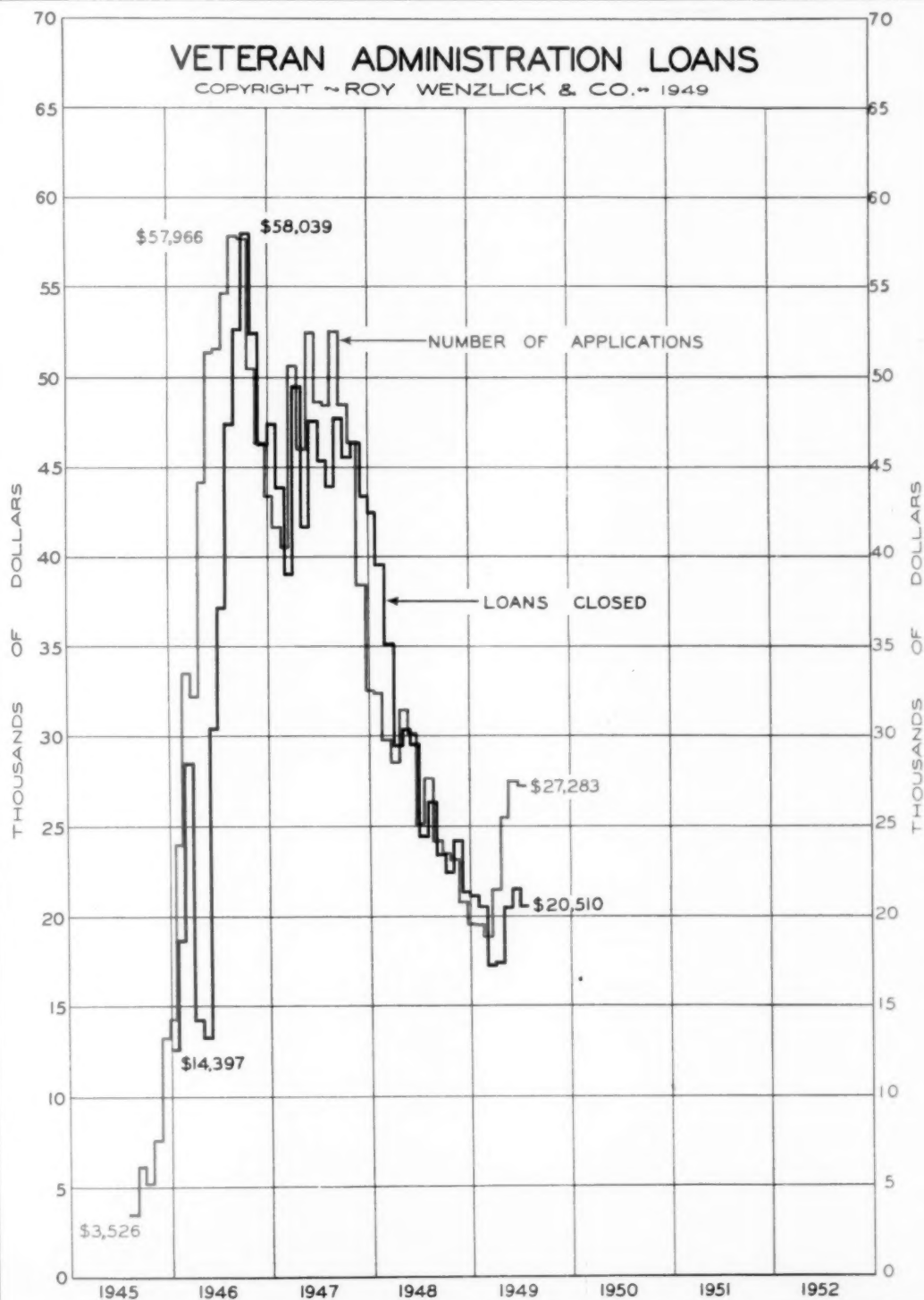
Naturally, if the supply of goods and services had increased at the same rate, a great deal less inflation would have resulted. But instead of increasing, the supply of most goods and services became scarce during the war. Now this method of financing the war may or may not have been the only successful way. In any event, deficit financing spurred production to a point where we were able to win the shooting war. However, deficit financing in the most prosperous period the country has ever known seems to us to be the height of extravagance and irresponsibility, and that is what this country is indulging in today. Furthermore, the men at the head of our government give every indication of continuing with their policy of deficit financing until some indefinite time in the future.

In following this course, the government will simply spend several billion dol-



VETERAN ADMINISTRATION LOANS

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lars more than it collects in taxes, which means that the deficit will be made up by the government printing presses, and the value of our dollar will be watered down once more as prices start back up again.

FORECLOSURES

The foreclosure rate inched upward once again in September and is higher than it has been in several years. The present reading is 5.5 foreclosures for every 100,000 nonfarm families, and although still unusually low, the index has been slowly increasing for the last two years.

ERRATA

The chart on page 447 read in dollars, and has dollar signs before the figures. The copy describing the chart also reads, "This chart shows the dollar amount of applications for loans and loans closed by the VA through mid-1949."

These references to dollar figures are incorrect. The chart actually shows the number of applications for loans in red and the number of loans closed by the VA through mid-1949 in blue. No reference to dollars should have been made.